
Finance Committee

2SSB 6557

Brief Description: Modifying the taxation of motion picture and video production services.

Sponsors: Senators Kohl-Welles and Keiser.

Brief Summary of Bill

- Reduces the business and occupation tax rate for motion picture production and related production services to 0.484 percent.

Hearing Date:

Staff: Mark Matteson (786-7145).

Background:

Business and occupation (B&O) tax. Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. The tax is imposed on the gross receipts from all business activities conducted within the state. Revenues are deposited in the State General Fund. The tax rate depends on the classification within the B&O. The major categories include manufacturing, at 0.484 percent; wholesaling, at 0.484 percent; retailing, at 0.471 percent; and general services, at 1.5 percent. Certain activities have been granted preferential tax rates outside of the major classifications. In the 2004 session, for example, the Legislature enacted a preferential tax rate of 0.275 percent for the provision of room and domiciliary care services to boarding home residents.

Apportionment of service income under the B&O tax. If a business that provides general services taxable at the 1.5 percent rate or boarding home services taxable at the 0.275 percent rate has a place of business outside the state that contributes to the performance of services, the business must apportion to this state the portion of gross income derived from services rendered in this state. If it is not practical to use separate accounting methods to determine the amount of services rendered in this state, the taxpayer must apportion income to this state in proportion to the cost of doing business within this state relative to the total cost of doing business both within and without this state.

Retail sales and use tax. The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The lease or rental of equipment is also subject to the tax. The use tax applies if retail sales tax has not been collected. Both the state and local governments impose sales and use taxes; the state rate is 6.5 percent and the average local

rate is about 2 percent statewide. Sales taxes are collected by the seller from the buyer at the time of sale. Use tax is remitted directly to the Department of Revenue (DOR). State revenues are deposited to the State General Fund. Retail sales and use taxes apply to all items of tangible personal property unless specifically exempt.

Motion picture industry and excise tax treatment. Businesses that produce motion pictures and related production services in Washington are subject to the B&O tax at the general services rate of 1.5 percent. While in general motion picture production businesses must pay sales and use tax on any equipment that is rented, an exemption has been provided to such businesses with respect to the rental of motion and video production equipment. The purchase of motion picture production services such as processing, printing, and editing is also exempt from sales and use tax..

Summary of Bill:

The B&O tax rate for businesses engaged in motion picture or video production or related production services is reduced to 0.484 percent. Motion picture or video production is the creation of a recorded audio-visual production intended for distribution to theaters, DVD, video, internet, or television, but excludes segments of newscasts or sporting events. Production services include motion picture and video processing, printing, editing, duplication, animation, and other modifications related to motion picture production.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.